



State of Wisconsin

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STEPHEN R. MILLER
CHIEF

January 31, 2007

MEMORANDUM

To: Representative Schneider

From: Joseph T. Kreye, Sr. Legislative Attorney, (608) 266-2263

Subject: Technical Memorandum to **2007 AB-0010** (LRB 07-0667/1) by **DOR**

We received the attached technical memorandum relating to your bill. This copy is for your information and your file. If you wish to discuss this memorandum or the necessity of revising your bill or preparing an amendment, please contact me.

MEMORANDUM

January 19, 2007

TO: Joe Kreye
Legislative Reference Bureau

FROM: Paul Ziegler
Department of Revenue

SUBJECT: Technical and Policy Memorandum on AB 10 relating to Sales and Use Tax on Purchases Made with a Manufacturer's Rebate

The department has the following concerns about the bill:

1. It is not clear whether the exclusion under the bill would apply to a "mail-in rebate"—a rebate whereby the buyer mails a form to the manufacturer and the manufacturer, typically 6-8 weeks later, sends the buyer a check for the rebate. According to published reports, manufacturers assume that only about one-third of buyers of items that offer a rebate will apply for the rebate. The seller (i.e., taxpayer) has no way of knowing whether a buyer will apply for and receive a mail-in rebate. Therefore, the seller would not know how much sales tax to collect and remit.
2. The effective date of the bill is the 7th day after publication. The Department suggests changing the effective date to the first day of the second month beginning after publication to give the Department time to notify taxpayers of the law change.
3. The bill would disqualify Wisconsin from membership in the Streamlined Sales and Use Tax Agreement (SSUTA). Under SSUTA, "sales price" must include discounts, including cash and coupons, that are reimbursed by a third party and are taken by a purchaser on a sale. Because this bill provides that "gross receipts" and "sales price" are reduced by amounts that are paid by a third party, Wisconsin could not be a party to the Streamlined Agreement if this bill were enacted into law.

If you have any questions regarding this technical memorandum, please contact Blair Kruger at (608) 266-1310 or bkruger@dor.state.wi.us.

cc: Rep. Schneider